

# **BEMIDJI CITY COUNCIL**

## ***Work Session Agenda***

**Monday, August 23, 2010**

**City Hall  
Conference Room  
5:30 P.M.**



1. CALL TO ORDER / ROLL CALL
  
2. DISCUSSION - 2011 CITY BUDGET
  
3. ADJOURNMENT

# MEMORANDUM

**TO:** Honorable Mayor and City Council  
**FROM:** Ron Eischens, Finance Director *Ron*  
**REVIEWED BY:** John Chattin, City Manager  
**DATE:** August 16, 2010  
**RE:** 2011 City Budget

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## Background

Since the budget is perhaps the largest and most important policy decision made on an annual basis, this memo presents 2011 budget issues for your consideration prior to the budget work session on August 23<sup>rd</sup>.

For the last two years the City budget process has been reactionary to state aid reductions. The budget process is completed in December and the City is soon thereafter forced to make drastic cuts and adjustments to respond to those reductions. Despite a dismal outlook for state finances, my goal is to focus long term in the City's budgeting and tax levy process.

Long term budgeting reduces surprises and minimizes large financial variances. The City already has long term approaches and funding in place for:

- **Street reconstruction funding** – the engineer proposes five year street improvement projects and the city levies \$450,000 annually to fund these improvements which maintains City streets in reasonable condition.
- **Utility Funds** – the city annually updates a five year cash flow model on utility (water, sewer, storm water and refuse) operations, capital improvements and rate structure to determine project timing and rate increases.

For 2011 we want to concentrate on long term funding of capital equipment and general fund operations including police, fire, streets, parks, administration, library, arena operations and special projects.

Other than the exceptions listed on page 3, we assumed that general fund operations would remain the same as in 2010, after the February budget reductions. Additional items to consider are: JEDC contribution; BREC/SE Shore financing; parks maintenance; and park/trails expansion.

The ultimate budget question is; "What tax increase, if any, does the council feel comfortable supporting, considering the services and projects it wishes to provide?" The balance of this memorandum provides information to assist you in making that determination.

### **2011 Budget Information**

**Attachment 1** summarizes Council priorities determined at the January 2010 retreat. While not all of these items will be funded next year, the council should consider these priorities in the budget process. If priorities aren't funded they won't get completed.

The city has approximately 40 different "funds" in which we track financial activity including the general fund, special revenue funds, debt service and enterprise funds. Our focus will be on the general fund as this is where most government services are provided and are supported largely by property taxes. The other funds are self supporting or funded with user fees.

Fund budgets include an operating and capital component. The operating portion includes personnel, supplies/maintenance, administration and other charges. Capital budgets include equipment and construction projects. Construction projects are planned and prioritized based on available funding and our engineer's recommendations for timing. If projects can't be funded, they get deferred until funding is available.

**Attachment 2** summarizes City equipment funded by property taxes. Future equipment needs are projected and department heads assume funding to purchase the item will be available. The five year requests include significant increases in equipment needs for the fire department including a ladder truck, engine truck and substation expansion needs. Fortunately the Rural Fire Association is agreeable to funding 44% of the total cost of these items, which has been reflected.

Over the last 10 years the city has budgeted an average of \$692,000 for tax funded equipment. Good financial practice would be to budget this amount in 2011, even though requested equipment items total \$532,500. The balance of \$159,500 would be set aside to cover the increased funding fluctuations in future years. The average annual equipment requests for 2011 to 2015 amount to \$691,660 as identified on attachment 2. Budgeting this amount over the next five years will fund equipment needs without large year to year variances.

The largest unknown item for 2011 is state aid, which includes local government aid (LGA) and market value homestead credit (MVHC). For budget purposes, staff took the conservative approach of budgeting LGA and MVHC at levels received in 2010 rather than amounts certified, which amounts to a difference of \$663,000; with the understanding these revenue sources are subject to legislative reductions to balance the state budget deficit. In fact, we fully anticipate further reductions in 2011 and 2012. If LGA and MVHC are greater than budgeted, the Council can find other worthwhile projects to fund.

**Attachment 3** summarizes the proposed general fund budget which maintains 2010 service levels including the capital equipment funding discussed above. The departmental budgets include the cuts, adjustments and staff reductions discussed in early 2010 with the following additions:

- BREC operating subsidy increased from \$183,000 to \$300,000 based on VenuWorks estimates
- BREC capital replacement funding of \$200,000 as recommended by CSL
- SE Shore marketing costs of \$50,000 to promote and sell property
- Street Department hires employee to cover BREC related maintenance and other needs at a cost of \$55,000. A current employee retires in fall of 2010, so no net gain in full time employees.
- Parks department added part time staff of \$15,000 to maintain current and expanded park/trail facilities. Increased event coordinator position to full time offset by a \$20,000 grant for a net cost of \$18,000. Also added a new full time position to assist with BREC maintenance as well as additional duties related to City and North Country parks for \$51,000. Park fees increased by \$7,000 to offset some of these costs.
- Updating parks master plan at a cost of \$20,000, to be matched by potential grant funds of \$40,000 by other organizations
- Job study implementation costs of \$34,000

The tax levy required to support this budget is \$3.4 million plus debt specific levies of \$775,000 for a total levy of \$4.2 million, representing a 13% increase (**Attachment 4**). If the council approves this levy increase, the city tax rate would increase from 41% to approximately 47%. An average home owner would see an increase in city taxes of \$30, assuming home values stay the same.

The city assessor estimated that city taxable property values decreased by \$12.3 million, or 1.76% since last year, due to the real estate market as shown in **attachment 5**. Residential home values decreased nearly \$38 million while other property types increased.

The following are just some of the options that could reduce the levy increase:

- **Service reductions** - determine what services the council wishes to reduce and staff can calculate how the service change will reduce costs and staff. Only three departments have not had staff reductions in the last three years, fire, parks and engineering.
- **Increase use of liquor profits** – profits of \$238,000 are already being used to subsidize the budget/tax levy. An additional \$225,000 could be available if sales and margins remain competitive. Using all liquor profits to subsidize the 2011 levy makes them unavailable for other City needs/projects.
- **Increase refuse fees and related profits** – an increase in refuse rates of \$1 per month would generate \$27,000 in additional profits to transfer to general fund

### SUMMARY

Review the goals as described on attachment 1 and determine if priorities are being appropriately funded. Also consider current service levels and what changes, if any, you would like to make. A possible JEDC contribution and increased park maintenance and park /trail expansion needs should also be evaluated. After considering this information, determine a tax levy you would support.

If the levy increase of 13% is not acceptable, inform staff of service level reductions desired and/or other options such as use of additional liquor profits or refuse rate increase. If there is additional information you would like before the meeting please let staff know.

## Issues

1. Complete redevelopment of South Shore .....8-5-8-1-7-7 = 36
2. Develop a Contingency Plan to deal with the additional loss of LGA .....6-6-7-4-5 = 28
3. Be more aggressive with annexation beyond the current plan .....5-8-5-7 = 26
4. Initiate Quality Neighborhoods Program .....3-8-8-6 = 25
  - Phase I - Conduct an inventory of ordinances to determine what can be useful
  - Phase II - Upgrade the existing housing
5. Promote and market the Activity Center .....4-4-6-4 = 18
6. Industrial Park development can lead to more job creation .....7-5-2 = 14
7. Go forward with annexation phases .....6-6 = 12
8. Consider a plan to increase police services, staff and equipment .....2-7 = 9
9. Redevelop RR Corridor and the MnDOT site .....5-2-1 = 8
10. Implement infrastructure plan with financing options .....7 = 7
11. Create Fire District for the area .....1-2-4 = 7
12. Develop sewer/water around the lake .....2-4-1 = 7
13. Develop a plan for park maintenance with financing .....3-3 = 6
14. Waterfront redevelopment .....1-1-3 = 5
15. Upgrade Wastewater Plant .....3-2 = 5
16. Complete construction of #197 Trail Bridge .....3 = 3
17. Explore new well field .....0
18. Begin implementation of the downtown plan .....0

**CITY OF BEMIDJI PROPERTY TAX FUNDED EQUIPMENT**

<u>Description</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Administration</u>					
Copy Machine - Upstairs		14,000			
Copy Machine - Downstairs				10,000	
Document Imaging			5,000		
<u>Engineering</u>					
GPS Equipment	30,000				
Survey Station				10,000	
Survey Truck		30,000			
<u>Finance</u>					
Software Upgrades	28,000	22,000			
<u>Fire</u>					
Radios	15,000				
Turn Out Gear	8,000	8,500	9,000	9,500	10,000
Wildland Skid Unit					11,000
Engine			252,000		
Ladder Truck				560,000	
Station 1 Upgrade	55,000				
Fire Substation		28,000	196,000		
Chief's Vehicle				31,000	
<u>GIS</u>					
Aerial Photography update		20,000			21,000
<u>Parks</u>					
Seeder/Thatcher		7,800			
Cameron Boat Access	50,000				
Algoma Park		35,000			
Aerator	8,000				
Nymore Park Tennis Courts	10,000				
Pickup	28,000				
Utility Vehicle	9,000		9,000		
<u>Police</u>					
Squad Cars	60,000	60,000	100,000	60,000	60,000
Detective Vehicles		30,000		30,000	
Captain Vehicle		30,000			
Computers	7,500	7,500	7,500	8,500	8,500
Parking Enforcement Vehicle			25,000		
<u>Street</u>					
Tractor	64,000				
Plow Truck & Sander		180,000	180,000		
Bituminous Hot Box					55,000
Front End Loader	160,000				
Pickup			37,000		
Snow Blower				155,000	
Air Compressor				15,000	
Sign Truck		65,000			
Dump Truck					45,000
Midway Bridge Enhancement		240,000			
Remove Railroad trestle bridge		100,000			
Elliot Road		100,000			
Park Ave RR Crossing		28,000			
<b>TOTAL</b>	<b>532,500</b>	<b>1,005,800</b>	<b>820,500</b>	<b>889,000</b>	<b>210,500</b>
<b>5 Year Average</b>	<b>Attachment 2    \$ 691,660</b>				

# GENERAL FUND BUDGET 2010/2011

16-Aug-10	Current	Proposed		
DESCRIPTION	2010	2011	\$ Change	% Change
BUDGET	BUDGET	Inc/(Dec)	%	Change
<b>REVENUE</b>				
Property Taxes	2,916,885	3,194,677	277,792	9.5%
Other Taxes and Fees	294,200	294,200	-	0.0%
Licenses & Permits	244,600	250,800	6,200	2.5%
Intergovernmental	3,325,924	3,282,194	(43,730)	-1.3%
Other Revenue	215,571	187,000	(28,571)	-13.3%
Fire Revenue	352,939	338,455	(14,484)	-4.1%
Fines	259,000	243,000	(16,000)	-6.2%
Transfers/Internal Services	1,583,605	1,514,252	(69,353)	-4.4%
<b>TOTAL REVENUE</b>	<b>9,192,724</b>	<b>9,304,578</b>	<b>111,854</b>	<b>1.2%</b>
<b>OPERATING EXPENSES</b>				
<b>GOVERNMENT</b>				
Mayor & Council	139,100	136,680	(2,420)	-1.7%
Administration	270,095	270,595	500	0.2%
Election	15,000	4,000	(11,000)	NA
Finance	488,800	467,700	(21,100)	-4.3%
Technology/Computer	66,000	80,000	14,000	21.2%
Assessing	92,700	92,700	-	0.0%
Legal	305,700	307,600	1,900	0.6%
Community Development	54,432	25,000	(29,432)	-54.1%
Joint Planning Board	92,385	92,385	-	0.0%
	<b>1,524,212</b>	<b>1,476,660</b>	<b>(47,552)</b>	<b>-3.1%</b>
<b>PUBLIC SAFETY</b>				
Police	3,065,500	2,989,200	(76,300)	-2.5%
Fire Protection	731,221	751,670	20,449	2.8%
	<b>3,796,721</b>	<b>3,740,870</b>	<b>(55,851)</b>	<b>-1.5%</b>
<b>PUBLIC WORKS</b>				
Streets	1,160,080	1,166,160	6,080	0.5%
GIS	82,064	82,264	200	0.2%
Engineering	400,870	413,880	13,010	3.2%
	<b>1,643,014</b>	<b>1,662,304</b>	<b>19,290</b>	<b>1.2%</b>
<b>PARKS</b>				
Parks	600,850	697,650	96,800	16.1%
Arena Transfer	88,330	88,330	-	0.0%
Library	163,234	163,234	-	0.0%
	<b>852,414</b>	<b>949,214</b>	<b>96,800</b>	<b>11.4%</b>
<b>MISCELLANEOUS</b>				
BREC Operating Transfer	183,500	300,000	116,500	63.5%
BREC Capital Replacement		200,000	200,000	
SE Shore Marketing		50,000	50,000	
Cable Access	2,200	2,200	-	0.0%
Contingencies	68,000	34,000	(34,000)	-50.0%
Job Study Implementation		34,000	34,000	
Public Transportation	11,600	22,200	10,600	91.4%
Transfers	33,000	33,000	-	0.0%
City Hall	108,130	108,130	-	0.0%
	<b>406,430</b>	<b>783,530</b>	<b>377,100</b>	<b>92.8%</b>
<b>All Dept Equipment</b>	<b>410,000</b>	<b>692,000</b>	<b>282,000</b>	<b>68.8%</b>
<b>TOTAL EXPENSES</b>	<b>8,632,791</b>	<b>9,304,578</b>	<b>671,787</b>	<b>7.8%</b>



# CITY OF BEMIDJI 2010 PRELIMINARY LEVY SUMMARY

File Name: LevSumm

08/16/10

<b>DESCRIPTION</b>	<b>AMOUNT</b>
2010 FINAL LEVY	3,687,384
PROJECTED 2011 LEVY - See detail below	4,167,466
DOLLAR INCREASE	480,082
PERCENTAGE INCREASE	13.0%

<b>LEVY BREAKDOWN</b>	<b>2009</b>	<b>2010</b>	<b>Projected 2011</b>
General Fund	2,525,402	2,916,885	3,392,677
<b>Special Debt Levies</b>			
Economic Develop District - Base	79,483	-	-
2009 Street Improvement Bonds	150,000	451,000	451,000
2007 GO Bonds - Public Works Facility	319,499	319,499	323,789
TOTAL	3,074,384	3,687,384	4,167,466

General Fund Total Levy - Above	3,392,677
Less MVHC reduction	(198,000)
<b>Net Levy - See attachment 3</b>	<b>3,194,677</b>

July 27<sup>th</sup> 2010 City Information

2010 tax capacity will not be run until right before the truth and taxation notices are sent in November. Tax capacity has been estimated for 2010.

2009 tax capacity	8,747,144
2010 tax capacity estimated	8,593,000
Change	-1.76% from 2009

	2009	2010	Change	Comments
Commercial/Industrial	229361500	232958600	+1.57%	Mostly N/C
Res. homestead	399623000	376991300	-5.66%	Mostly rate changes
Res-non/homestead				
Seasonal Rec.				
Apartments	67074500	73723700	+9.91%	Mostly N/C
Miscellaneous	3689800	3768500	+2.13%	
Overall Totals	699748800	687442100	-1.76%	